



Hugh McDonald
SECRETARY OF COMMERCE

Alan McClain
COMMISSIONER,
ARKANSAS INSURANCE
DEPARTMENT

Application for Certificate of Authority Health Maintenance Organization “HMO”

This information is designed to assist individuals in preparing the application pursuant to Chapter 76 of Title 23 of the Arkansas Code Annotated. Please provide the following information in the order requested herein. Please include a table of contents for the packet and tab each of these items with the listed numbers. For any items not applicable, please include a page in the packet; numbered accordingly, explaining the reason the item is not included.

A foreign applicant should only submit one (1) original application package. However, a domestic applicant should submit one (1) original and (2) copies of the application package.

In order for a submission to be considered a complete application, all required information must be included in the filing.

A letter of Authorization is required for anyone other than company personnel, designating the named individual(s) representing the applicant.

The application filing fee is \$1,500 per ACA 23-76-127 & Rule 57. If approved, AID will request a \$350.00 fee for the issuance of the original certificate of authority. All checks should be made out to the Arkansas Insurance Department Trust Fund.

Effective July 28, 2021, the statutory deposit requirement for Health Maintenance Organizations now falls under ACA 23-76-104(a)(3) to a deposit having at all times a market value of not less than one hundred thousand dollars (\$100,000), conditioned for the payment of policyholders and creditors of the insurer in this state and the prompt payment of all claims arising and accruing to any person in this state.

The completed application package and any questions concerning the application should be directed to:

Kimberly Johnson, PIR, Insurance Senior Examiner
Arkansas Department of Commerce
Arkansas Insurance Department/Finance Division
1 Commerce Way, Suite 505, Little Rock, AR 72202-2087
501-371-2680 fax 501-371-2747 Kimberly.johnson@arkansas.gov
Website: <https://insurance.arkansas.gov/pages/industry-regulation/finance/>

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Please provide the following information:

1. An admission application form shall be verified by an officer or authorized representative of the applicant.
2. Organization documentation
 - A. Certified Articles of Incorporation / Association and all amendments.
 - B. By-laws or Rules regulating internal and operational affairs.
3. A list of the names, addresses, and official positions of the persons who are to be responsible for the conduct of the affairs of the applicant, including all members of the board of directors, board of trustees, executive committee, or other governing board or committee, the principal officers in the case of a corporation, and the partners or members in the case of a partnership or association.

If the applicant is a subsidiary of a parent or holding company, provide an organizational chart showing the relationship of all related parties.

4. Statement that the advisory board is composed of at least one (1) physician, one (1) dentist, one (1) pharmacist, one (1) nurse, one (1) consumer, and one (1) enrollee. The advisory board shall establish a mechanism to afford the enrollees an opportunity to participate in matters of policy and operation through the establishment of advisory panels, by the use of advisory referenda on major policy decisions, or through the use of other mechanisms.
5. The applicant must submit an NAIC Biographical Affidavit on behalf of all officers, directors and key managerial personnel of the applicant and individuals with a ten percent (10%), or more, beneficial ownership in the applicant.
https://www.naic.org/documents/industry_ucaa_form11.docx
Please make sure all questions have been answered on the form.

FAQ's for Biographical Affidavits

https://www.naic.org/documents/industry_ucaa_faq.pdf?91

6. Submit Third Party Verification Background Reports for all Biographical affidavits submitted in Item No. 6 above. Background reports must be submitted by the selected background investigator vendor directly to our offices. Arkansas does not require fingerprint cards.

List of NAIC approved Third party vendors for Background reports.

https://www.naic.org/documents/industry_ucaa_third_party.pdf?28

7. Provide Conflict of Interest statements for each Officer and Director of applicant per A.C.A. §23-66-206(5)
8. Copies of any contracts made or to be made between any providers and the applicant.
9. Copy of the coverage form to be issued to enrollees.
10. Copy of the group contact form to be issued to employers, unions, trustees, or other organizations.

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11. Complete a service of Process Form, designating a registered agent.
http://www.naic.org/documents/industry_ucaa_form12.doc
12. Description of the complaint procedures to be used.
13. Description of the enrollee participation plan.
14. If a foreign health maintenance organization, a copy of any regulatory examinations performed and the organization's response to the examination results.

The following documents below should be provided separately and if applicable should be marked as confidential.

15. Plan of Operation (foreign and domestic applicants) should include the following:
 - A. Statement describing the Health Maintenance Organization, its health care plans, facilities, and personnel.
 - B. Statement as to the geographic areas to be served. Arkansas lists the approved counties on the issued Certificate of Authority.
 - C. Description of the proposed method of marketing the plan, including a description of the proposed sales force. Indicate whether the company will utilize branch office, general agency, full-time agents or brokers, direct or mass marketing, or any other distribution system. Include a description of contemplated plans for compensating and financing agents.
 - D. Discuss how reinsurance would be utilized to limit the Company's risks. The company should describe its intended reinsurance program in detail for each product.
 - E. Discussion about the proposed organizational structure of the Company and critical functions of the Company including management, underwriting, claims adjudication, planned investments and investment policies, accounting, and any other relevant information. It should provide information regarding the services that will be performed internally and those outsourced, as well as the locations of these functions.
 - F. Copies of any shareholder agreements, partnership agreement, trust agreement or other applicable agreements.

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16. Provide copies of the following current and/or proposed agreements, as applicable:

- A. Administrative/service agreement(s)
- B. Custodial Agreement(s)
- C. Reinsurance agreement(s)
- D. Tax allocation agreement(s)
- E. All Other affiliated agreements

17. Plan of Operation for a new domestic insurer formation, should include answers to the following additional questions:

- A. Do any of the officers/directors of the applicant have experience in operating a Health Maintenance Organization or other insurance entity? If so, provide a discussion of their experience.
- B. Discuss management's accounting experience with Statutory Accounting Practices and Procedures and indicate who will be responsible for financial records and quarterly statutory financial filings for the company.
- C. Discuss in detail the source and timing of initial funding for capital and surplus and any planned additional capital or surplus contributions.
- D. Provide the names of the proposed CPA and Actuary the applicant will be utilizing.
- E. Provide the Company's investment policy and indicate whether investment procedures will be outsourced or performed internally. Discuss where initial assets will be held. Any proposed agreements should be included for review as part of the application process.
- F. Discuss any debt and debt service agreements, investor, shareholder or partnership agreements related to the new entity.

18. Financial statements showing the applicant's assets, liabilities, and sources of financial support. Audited Financial Statement, if available. Provide all quarterly financial statements covering the year-to-date reporting period.

19. Provide three (3) year pro forma balance sheet, income statement, and statement of cash flows including detailed assumptions, and the basis for those assumptions, including support for loss ratios and reserves. For each projection year, the company should supply projected adjusted capital and company action level risk-based capital (RBC), and the respective ratio. These results will be taken into consideration in determining whether additional capital is required. The applicant can use the UCAA excel proforma financial projection worksheet, which can be found at: https://www.naic.org/documents/industry_ucaa_form13H_2019.xlsm

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20. Financial Feasibility plan that includes:

- A. Detailed enrollment projections
- B. The methodology for determining premium rates to be charged during the first twelve (12) months of operation certified by an actuary or other qualified person.
- C. A projection of balance sheets
- D. Cash Flow statements showing any capital expenditures, purchase and sale of investments and deposits with the state, and income and expense statements anticipated from the start of operations until the organization has had net income for at least one (1) year, and
- E. A statement as to the source of working capital as well as any sources of funds.

21. Please review Network Adequacy Requirements for Health Plans (Rule 106)

<https://insurance.arkansas.gov/uploads/finalrules/Rule106.pdf>

22. Please note that the Arkansas Life and Health Insurance Guaranty Association Act, § 23-96-101 et seq., referring to the Arkansas Life and Health Insurance Guaranty Association is applicable to Health Maintenance Organizations operating in Arkansas.